

Encl. to CIA # 1416

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The Role of East Germany in the Economic Offensive of the Sino-Soviet Bloc in the Underdeveloped Countries

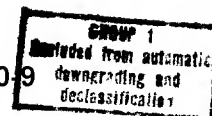
East German participation in the Sino-Soviet Bloc's economic offensive in underdeveloped countries has been relatively insignificant according to most measures. Between 1954 and 1961, while the Bloc as a whole extended the equivalent of \$4,564 million\* in economic grants and credits to the underdeveloped countries, East German extensions amounted to about \$70 million, less than 2 percent of the total. By the end of 1961 about half of these extensions had been drawn, amounting to about 3 percent of total drawings against the Bloc of \$1,048 million.\*\* During this same period, by contrast, East Germany received net credit commitments totaling about \$650 million from the rest of the Bloc, primarily the USSR, and it is estimated that East German drawings on Bloc credits exceeded half a billion dollars.

Of the approximately \$70 million in economic assistance extended to the underdeveloped countries by East Germany only two million represented outright grants, the remainder being made up of credits. The terms on which East German foreign aid credits

\* Sino-Soviet Bloc Economic Activities in Underdeveloped Areas, February 1962, ~~SECRET~~, p. 77, Table 11.

\*\* Ibid.

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are extended to underdeveloped countries are similar to those extended by other Bloc states. Of the East German credits about half were extended on 10-12 year repayment terms, and for the other half the known terms vary from three to six years. The usual Bloc interest rate of  $2\frac{1}{2}$  percent was apparently applied to all these loans. These credits have been extended for development projects, primarily in the field of light industry.

The geographic pattern of East German extensions has followed that of the Bloc as a whole. Early credits (1955 thru 1958) were concentrated in the Near East and Asia. New credit extensions in 1960 and 1961 went primarily to the New African nations and to Cuba. Egypt has been the major recipient, having received about half of the East German total both in terms of extensions and drawings.

It is estimated that at the end of 1961 over one thousand students from the underdeveloped countries were studying in East Germany, primarily in academic institutions, and that over two hundred East German technicians were employed in underdeveloped countries.

In 1960 East German trade with underdeveloped countries was slightly more than 6 percent of total East German trade, and about 23 percent of East German trade with the West. This represented about 10 percent of total Soviet Bloc trade with the underdeveloped countries in 1960.

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